ORIGINAL TRANSCRIPT

BEFORE THE BOARD OF OIL, GAS AND MINING DEPARTMENT OF NATURAL RESOURCES STATE OF UTAH

IN THE MATTER OF THE PETITION BY THE DIVISION OF OIL, GAS AND MINING FOR Docket No. 2005-013 AN ORDER DIRECTING THE ATTORNEY GENERAL TO RECOVER CIVIL PENALTIES, WITHDRAWING THE NOTICES OF INTENTION. AND REQUIRING IMMEDIATE RECLAMATION OR FORFEITING Cause Nos. M/049/009, SURETIES FOR THE APEX/BURGIN M/049/024, E/049/046 MINE (M/049/009), TRIXIE SHAFT MINE AREA (M/049/024), AND THE TRIXIE WEST EXPLORATION AREA (E/049/046); THE CHIEF CONSOLIDATED MINING CO. D/B/A CHIEF GOLD MINE, SOUTH STANDARD MINING COMPANY, AND TINTIC UTAH METALS, LLC; IN SECTIONS 11, 15, 21, 22 AND 28, TOWNSHIP 10 SOUTH, RANGE 2 WEST, SLB&M, UTAH COUNTY, UTAH.

BEFORE THE BOARD OF OIL, GAS AND MINING DOCKET NUMBER 2005-013

TAKEN AT:

Department of Natural Resources

1594 West North Temple, Room 1050

Salt Lake City, Utah

DATE:

August 24, 2005

TIME:

10:39 a.m.

REPORTED BY:

Kerry J. Sorensen, CSR/R

SEP 08 2005

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1 APPEARANCES 2 3 BOARD OF OIL, GAS AND MINING: 4 J. James Peacock, Chair 5 Jean Semborski Kent R. Petersen 7 Samuel C. Quigley 8 Robert J. Bayer 9 Douglas E. Johnson (excused) 10 Jake Y. Harouny 11 12 DIVISION OF OIL, GAS AND MINING: 13 John R. Baza, Director 14 Mary Ann Wright, Associate Director, Mining 15 Gil Hunt, Associate Director, Oil and Gas 16 Ronald W. Daniels, Environmental Program Manager 17 Vickie Southwick, Executive Secretary 18 Diane Holland, Legal Secretary 19 20 ASSISTANT ATTORNEYS GENERAL: 21 Steven F. Alder - Division Attorney 22 Alison D. Garner - Division Attorney 23 Michael S. Johnson - Board Attorney 24 Stephen G. Schwendiman - Board Attorney (excused) 25



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1 Before the Board of Oil, Gas and Mining 2 August 24, 2005 3 PROCEEDINGS 4 THE CHAIRMAN: Agenda Item Number 2, 5 Docket Number 2005-013, Cause Numbers M/049/024, 6 E/049/046, in the matter of the petition by the Division of Oil, Gas & Mining for an order 8 directing the Attorney General to recover civil 9 penalties -- am I on the right one? 10 Uh-huh, yeah. MR. PETERSEN: 11 THE CHAIRMAN: To recover civil 12 penalties, withdrawing the Notices of Intention, 13 and requiring immediate reclamation or forfeiting 14 sureties for the Apex/Burgin Mine (M/049/009), 15 Trixie Shaft Mine Area (M/049/024), and the Trixie 16 West Exploration Area, (E/049/046); the Chief 17 Consolidated Mining Company, doing business as 18 Chief Gold Mine, South Standard Mining Company, 19 and Tintic Utah Metals, LLC, in Sections 11, 15, 20 21, 22, and 26 (sic), Township 10 South, Range 2 21 West, Salt Lake Basin Meridian, Utah County, Utah. 22 The stipulation is for continuance and a dismissal 23 of notice of agency action. 24 MR. PETERSEN: That wasn't Section 26. 25 THE CHAIRMAN: Did I say that?



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Twenty-eight is the 2 THE CHAIRMAN: 3 correct section number, Mr. Reporter, in case I

This is a request for continuance and for dismissal of notice of agency action.

Mr. Alder.

missed that one.

MR. PETERSEN:

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MR. ALDER: Thank you, Mr. Chairman.

Yeah, 26.

This matter was--it's a mining--a longstanding mine in the Eureka District that probably most of the Board members are familiar with. There has been a period of inactivity, partly brought on by some EPA superfund activities that brought everything to a standstill. We--the Division tried to communicate, and, and they just didn't have any local operators at all at the They had failed to pay their permit fees for a couple of years, they failed to file reports, and just have been totally unresponsive to our concerns about the bond. None of those problems were--they were resolvable, but there was no communication.

So this matter was filed, and after it was filed, the company did respond, through an officer in Pennsylvania, and they have -- and we've



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reached a stipulation which has been provided to the Board. The stipulation takes care of the There are some penalties that are past due fees. being held in abeyance. The stipulation provides for an opportunity for the, the mining company to make some changes in the bonding that we had requested, and then by December they will also have increased the bonding on a couple of areas.

So the stipulation before you is that this matter be continued until September, and in the interim there'll be these steps that will be taken, and we will report to you at the December 7th Board hearing whether everything that's in the stipulation has been complied with.

At that point, we have not asked that the matter be dismissed but that the hearing continue to another date. The reason for that is that if they proceed to mine further, they're going to need to adjust the bonding, they're going to need to adjust the mining plans, and rather than refiling anything, we thought it would be best to keep the matter on your docket so that we know that if they go forward we'll have the bonding that we need in place.

So that's a lot of background



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1 information in a general way, but, but we're 2 asking only that you agree to the joint motion by 3 both parties that this matter be continued, 4 pursuant to the stipulation, until December 7th. Now, initially I thought 5 THE CHAIRMAN: 6 you said September. Is this to December? 7 MR. ALDER: December 7th. 8 THE CHAIRMAN: So the continuance is a 9 request to continue until December the 7th 10 meeting? 11 MR. ALDER: Right. There are interim 12 These--in September, there is a date to 13 adjust the bonding form, and there's other interim 14 dates, but the hearing would be continued until 15 December, so --16 Anyone in the audience THE CHAIRMAN: 17 here on this matter? 18 Board members, questions to Mr. Alder 19 or comments on this matter? 20 MR. BAYER: Yeah, I've got a couple of 21 questions, Mr. Alder. 22 MR. ALDER: Yes, sir. 23 MR. BAYER: I was involved in the--on 24 behalf of a former client in the superfund issue 25 down in Eureka at the same time. Unless the



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limits of that superfund site has been changed dramatically, I doubt that the fact that the EPA superfund site is active down there has any--can have much of a meaningful effect on the Chief's operations. If that's being used, I--like I said, I, I don't buy it, and I would just advise to check that out.

Second of all, I just want to confirm with Ms. Wright if they're aware of a shaft collapsed down there some years ago and that that's the reason that they're—that the Chief shut down. At the time it was, "Oh, my goodness, I don't think we could open up again." So—

MR. ALDER: We've had extensive discussions with—we met with the EPA and got a copy of the consent decree that was signed.

There is a big question as to whether or not they can make the payments required under that consent decree, but—and continue—or resume operations, but that's their desire. They say they think they can. They explained to us that the shaft collapsed and that together with the EPA was—and, also, I guess the main operator would—or the chief officer left and, and it's sort of a lot of things came together. They believe they can make



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it operational. We certainly don't want to discourage them if they can provide the bonding necessary.

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MR. BAYER: I understand. So it's the, it's the financial responsibility that they incur. I mean the EPA [indecipherable] that was creating those [indecipherable] is the problem that the superfund action has caused.

MR. ALDER: Actually, it's more to just the fact that this mine has been operated--it's one of the oldest mines in the state, and it's been financed by investors, and they felt they needed some additional investor financing, and that with the EPA superfund designation and the potential liability in an undetermined amount hanging over them -- the mine, they couldn't get anybody to invest. So once they got that settled in January I think of this year, they felt like now they had a fixed amount, they have a window of potential profit, and they think they can get people to invest. So that's, that's their proposal.

Okay. Thank you. Very MR. BAYER: much. I appreciate it.

> THE CHAIRMAN: Do you have any concern



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1	with the request as for a continuance until
2	December?
3	MR. BAYER: No. I think that the
4	Division, the Division counsel's reason sounds
5	right on the money.
6	THE CHAIRMAN: Anyone else with
7	comments? The request, then, is for the
8	continuance of this matter to be heard again on
9	the meeting on the 7th of December, and that is
10	thethat iswe probably need to have that in the
11	form of a motion.
12	Mr. Petersen?
13	MR. PETERSEN: Oh, okay. Mr. Chairman,
14	I move that we grant the request for a
15	continuance until the December meeting on this
16	matter. And I won't read all those details of
17	the
18	MR. ALDER: I guess the record should
19	indicate that there was a proposed order, and I
20	think the Chairman may have taken some action with
21	it being confirmed by the Board. Is that right?
22	THE CHAIRMAN: Second?
23	MR. BAYER: I'll second.
24	THE CHAIRMAN: Any discussion to the
25	motion to continue this matter until December the



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1 7th meeting? 2 Those in favor say, "aye." 3 Any opposed, "nay." 4 (Docket Number 2005-818, Cause Nos. M/049/009, 5 M/049/024, and E/049/046 was concluded at 10:506 a.m.) 7 I think that that is all THE CHAIRMAN: 8 of the Board's formal agenda. 9 I would like to take a personal moment. 10 We just learned that Mr. Steve Schwendiman's 11 father passed away within the last--was it 12 yesterday -- very recently. And on behalf of the 13 Board, we would like the record to show that we 14 extend our condolences to Mr. Schwendiman and to 15 his family in the passing of his father. 16 presume the Board all concurs with that --17 MR. PETERSEN: We do. 18 --without the necessity THE CHAIRMAN: 19 of taking--20 Are there any other items of business 21 that need to be brought forward in this scheduled 22 meeting today? 23 We are going to go into the -- room 1010 24 for a session of training that the Board has 25 properly scheduled, and we will have that between



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now and about noon time, and then during the lunch break for the Board, we are going to continue talking about an issue about aggregate and the definition and the bright line between gravel and, and aggregate. So with that we will adjourn this formal portion of the meeting and thank all of you. (The hearing was concluded at 10:50 a.m.)



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2	CERTIFICATE
3	This is to certify that the foregoing proceedings was
4	taken before me, KERRY SORENSEN, a Registered Professional
5	Reporter and Notary Public in and for the State of Utah;
6	That the proceedings were reported by me in stenotype
7	and thereafter caused by me to be transcribed into
8	typewriting, and that a full, true and correct
9	transcription of said proceedings so taken and transcribed
10	is set forth in the foregoing pages, inclusive.
11	I further certify that I am not of kin or otherwise
12	associated with any of the parties to said cause of
13	action, and that I am not interested in the event thereof
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15	Kerry Sorensen, CSR/RPR
16	My Commission Expires: June 21, 2009
17	Notary Public KERRY SORENSEN
18	1411 East Waters Lane Sandy, Utah 84093 As Complision Exories
19	June 21, 2009 State of Utah
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